

Approved

EXETER COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Wednesday 30th September 2015 in the Board Room, Hele Road, Exeter College

Present Chris Hoar Chair
Elaine Hobson
Dave Underwood

In Attendance

	Richard Atkins	Principal
	John Laramy	Vice Principal
	Steve Campion	Executive Director Finance and Resources
	Derek Fargher	Interim Financial Controller
<i>To item 10.3</i>	Heather Ancient	PwC
<i>Item 5.2 only</i>	Richard Brine	Head of Information Learning Services (ILS)
<i>Item 5.2 only</i>	Toby Coombes	Head of Funding Finance and Management Information Systems
<i>To item 10.3</i>	Paul Putnam	Grant Thornton
<i>To item 5.2 only</i>	Jon Whyte	PwC
	Barbara Sweeney	Clerk to the Corporation

Apologies David Batho
John Coombs
Steve Johnson Grant Thornton

1. **Welcome and Apologies** **Action**

The Chair welcomed colleagues to the first meeting of the new academic year and his first in the Chair. He particularly welcomed Heather Ancient and Jon Whyte from Pricewaterhouse Coopers and Paul Putnam from Grant Thornton who were attending the meeting.

Apologies were received.

2. **Minutes**

Minutes of meeting held on 17th June 2015

The minutes and confidential minutes of the meeting held on 17th June 2015, as circulated, were agreed and signed by the Chair.

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3. **Matters arising**

3.1 Board Decisions

The report advising what actions had been taken on recommendations from this Committee presented to the Board was received and noted.

There were no other matters which were not covered elsewhere on the agenda

4. **Financial Statements Auditors**

4.1 External Audit Plan for year ending 31 July 2015.

The report detailing Grant Thornton's Audit Plan for the forthcoming audit of the statutory accounts was received. Paul Putnam, Associate Director, Grant Thornton, highlighted the key issues. He alerted the Committee to developments relevant to the College. The new Accounts Direction Handbook incorporated new requirements for the financial statements. A revised regularity framework had been published alongside a new self-assessment questionnaire.

From the year ending July 2016 the College would be required to report under FRS102 and the new SORP for the education sector. This would require changes to financial reporting. The transition date had passed. Paul highlighted the key changes to data gathering which related to loans, financial instruments and acquisitions.

Paul confirmed the areas for focus in the forthcoming statutory accounts audit. Using a traffic light system, areas deemed low risk with a low expectation of material mistake were highlighted green. Areas with greater potential for risk were highlighted in orange, where poor control might lead to cost or expense. For example, even though payroll was well controlled there would be a significant cost to the College if systems failed. Tangible fixed assets would be reviewed following the delivery of the Maths and Science and Sports Hall projects to provide assurance that the correct costs had been capitalised. Revenue was also an area of risk. However, given the majority of funding was not confirmed until late in the year, the focus would be on other income streams.

Significant risks identified included management over-ride of controls such as the pension scheme, to check that actuarial assumptions were in line with the sector and testing journal entries.

Finally the audit would report on the College as a going concern. The risk was in the increased pressure to manage costs as funding was cut. The review would consider management forecasts, assess proposed expenditure cuts and re-perform covenant calculations.

Paul outlined the timeline, with fieldwork beginning on Monday 5th October 2015. The Committee would receive the report at its next meeting on 2nd December 2015 for Board approval on 11th December 2015.

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Steve Champion, Executive Director Finance and Resources confirmed that this should be less complex than the last audit, which had included the Aplus Training Ltd turn out.

The Committee also received letters of engagement for the College audit and also for the review of on the Teachers' Pension Scheme contributions return.

The Committee confirmed that it was content with the scope of the audit, and agreed to:

Recommend the External Audit Plan to the Board on the 9th October 2015.

Vote: Unanimous

Richard Brine Head of Information Learning Services (ILS) and Toby Coombes, Head of Management Information Systems (MIS) joined the meeting for item 5 only.

5. Internal Audit Service

5.1 Project reports:

- Security Analysis Report – Penetration Testing

This item was dealt with as a confidential item in accordance with the College's confidentiality policy and recorded in the confidential minutes.

5.2 Monitoring Table

The report was received and Heather confirmed that Item 5.2 and item 6 could be taken together.

The report was noted.

6. Internal Audit Service Annual Report for 2014/15

The report was received and Heather confirmed that the revised Joint Audit Code of Practice (JACOP) no longer required the Head of Internal Audit to provide an annual opinion. However, the report provided a summary of all reports undertaken during the year, both traditional and specialist. The reports had been received by the Committee and therefore there were no surprises. All reviews had been completed and risks were well controlled with few recommendations and all nine reviews had overall low risk ratings, indicating that the culture of control and control framework in the College was strong.

Steve confirmed that PricewaterhouseCoopers had been requested to focus on areas where reviews could add greatest value, such as those which were new to the College and where changes in processes had occurred. Therefore the clean audits were pleasing given that the areas reviewed had been chosen to assure the Committee that controls were in place despite possible changes in practice.

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The Committee commended the teams responsible and agreed to

Recommend the Internal Audit Service Annual Report for 2014/2015 to the Board for approval at its meeting on the 9th October 2015.

BHS

Vote: Unanimous

7. **Internal Audit Action Plan**

Progress Update

The report was received. Steve confirmed that had been one action outstanding from the 2013/14 audit reports. This related to the finance system which was no longer fit for purpose and was replaced over the summer holidays by a new finance Information System (FIS). Implementation had gone well and the more robust system addressed all the recommendations. Benefits included better workflow for approvals and greater clarity on where the order sat in the system.

Of the four outstanding actions from 2014/15, three had been addressed. The Committee noted that the recommendation on cash handling in the Construction Department had been addressed with effective online payments, from which the whole College could benefit in the future. The remaining action related to Aplus student records, and manual recording of attendance. As the faculty had been integrated with the Business and IT faculty, this would be replaced as College systems were adopted. The target for completion of the action was September 2015, and the Committee would receive an update at the next meeting in December 2015.

The Committee agreed to remove the completed actions from the Internal Audit Action Plan and the Committee agreed to:

a) Note the report.

b) Remove completed actions from future reports

8. **Internal Audit Risk Assessment and Plan 2015/16**

The report was received Heather reminded the Committee that since the publication of the new Joint Audit Code of Practice (JACOP), Colleges were no longer required to have an internal audit service as no annual opinion was required. However she confirmed retention of Internal auditors was still the norm, to provide assurance and reduce the burden on the Audit Committee.

The Internal Auditors had met with management and agreed a programme of testing based on external audit findings and inspections. Some regular assurance reviews were planned. However there was now greater flexibility and reviews could focus on where there was risk and contingency days provided capacity where needed.

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Heather updated the Committee on changes to the 5 year audit plan. There would be the usual departmental review. This year it would be Engineering Aerospace and Automotive. It was recommended that Hospitality Hair and Beauty be considered for the following year, both EAA and HHB having new Heads of Faculty. The HR department would also be reviewed, albeit with reduced scope. The scope for the Business Continuity review would extend beyond IT. Procurement was also due for review. Given the College culture for completing recommended actions, a follow up review was considered unnecessary.

Allocated time for specialist reviews would be held over for training, particularly anti-fraud training and policy reviews. The Committee would recommend the plan subject to agreed changes, and if contingency days were utilised, it would subsequently consider and recommend amendments to the Board.

The Committee considered payroll. There had been a number of errors and it might be prudent to recommend a review using contingency days. In addition the Committee considered the Prevent agenda and whether assurance was needed to test compliance. Although high on the agenda, legislation was very recent and it was recommended that a review be deferred to 2016/17.

The Committee agreed, subject to the inclusion of a review of payroll using contingency days, to:

BHS

Recommend the Proposed Programme for 2015/16 to the Board for approval at its meeting on 9th October 2015.

Vote: Unanimous

9. **Risk Management Update**

The report, including the revised Risk Register and Heat Map was received and considered. Steve confirmed that the Senior Leadership Team (SLT) had reviewed and updated the Risk Register and Risk Heat Map. He highlighted the changes from the previous version, and provided justification for raising or lowering risk ratings.

The Committee agreed to:

a) Note the update

b) Recommend the updated Risk Management to the Board on 9 October 2015

Vote: Unanimous

10. **Governance Issues**

Approved

- 10.1 Anti-Bribery Policy
The report and updated policy were received and the Committee agreed to

Recommend the updated Anti-Bribery Policy to the Board at its meeting on 9th October 2015.

Vote: Unanimous

- 10.2 JACOP and Terms of Reference (ToR)
The updated Terms of Reference was received and the Clerk confirmed that following the publication of a new Joint Audit Code of Practice (JACOP) by the funding agencies, a number of changes have been made to the Audit Committee's Terms of Reference, as recommended in the JACOP. PwC had been consulted and were content that the changes reflected the new JACOP.

The ToRs had been considered by the Search and Governance Committee and were recommended to the Board, and came to this Committee for noting.

The Committee noted the report.

- 10.3 Audit Tendering Process
The report was received and the Clerk reminded the Committee that the current internal and external auditors were due to complete their agreed contracts on 31 July 2016. The normal practice would be to go out to tender for a new 5 year contract this academic year, to take effect from 1st August 2016.

However new accounting standards FRS102 would affect the FE sector from 2015/16. Given that statutory accounts for 2015/16 would be reported under the new standard with the previous year having to be restated, it seems prudent to provide continuity and retain the same auditors for the 2016/17 financial year, the year in which the 2015/16 accounts are prepared.

It was also sensible to conduct concurrent tendering exercise for both internal and external auditors. Therefore the Committee agreed to recommend to the Board that

The tender process for the appointment of the Internal and External Auditors be deferred for twelve months so that the new appointments are for 5 years commencing August 1st 2017.

- 10.1 **Committee Self Assessment Report**
The report, including a draft self-assessment report (SAR) for the

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Committee was received. The document was aggregated from responses to questionnaires sent to individual members of the 2014-15 Committee. The Clerk confirmed that the questionnaire would be distilled into a SAR of agreed strengths and areas for improvement. The Committee noted that the response rate to the questionnaire was low. However it concurred with the responses given and agreed to

Recommend that the SAR be incorporated into the Board's SAR and presented to the Quality and Standards Committee for subsequent recommendation to the Board.

Vote: Unanimous

11. **Review of Performance of Internal Audit Service 2014/15**

The report was received, using the tool which the Board adopted at its meeting on 3 July 2013. Steve confirmed that he had completed the review as a draft for the Committee to consider, based on Internal Audit Reports and feedback forms following reviews. There were a number of highlighted sections which the Committee needed to complete.

The Committee considered the report and agreed its response to the outstanding questions.

The Committee agreed to:

Recommend the reappointment of PricewaterhouseCoopers for the financial year 2015/16 to the Board for approval at its meeting on 9th October 2015. BHS

Vote: Unanimous

12. **Dates of next meetings**

Wednesday	2 nd	December	2015
Wednesday	9 th	March	2016
Wednesday	15 th	June	2016